

# Exhibit 137

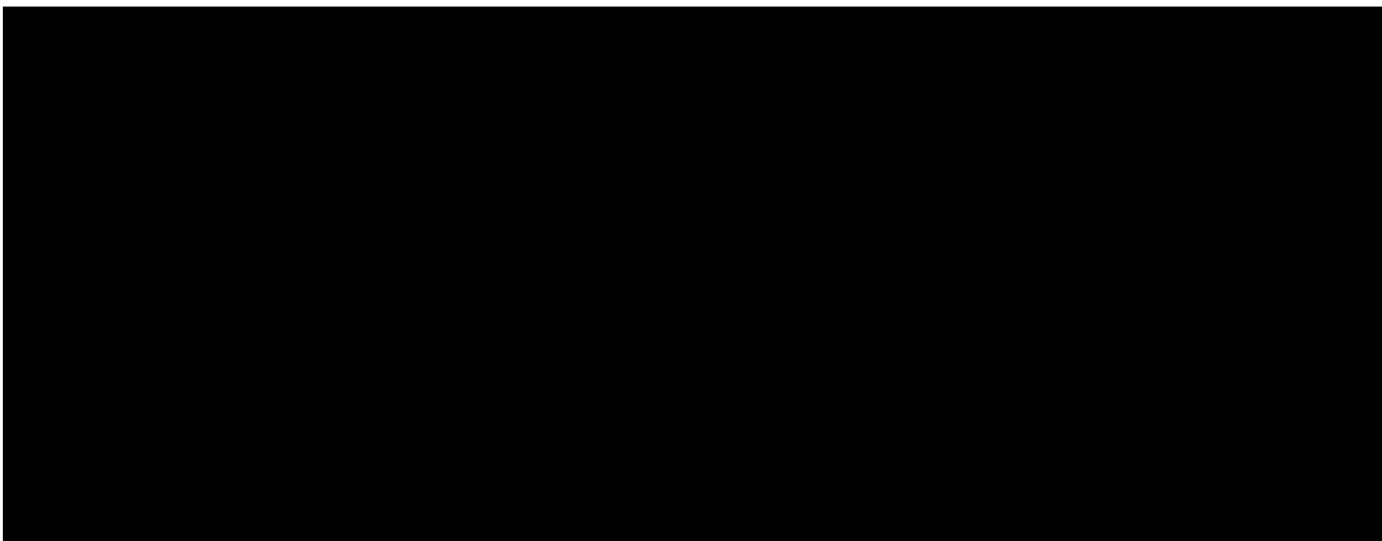
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**From:** [REDACTED].com >  
**Sent:** Tuesday, July 22, 2014 1:39 PM  
**To:** Phil Rapoport  
**Cc:** Chris Larsen  
**Subject:** RE: XRP Bulk Purchase

Really helpful, Phil. Thanks

Gotta ask....do you have a "most favored nation" agreement in place with anybody on these bulk sales? Or do we have the flexibility to craft something that best meets the objections of RL and my company?

Also, with respect to the XRP investment vehicle question, yes, that is exactly what we're doing (we're contemplating replicating the [REDACTED] model for XRP). The bulk purchase would be to seed the vehicle, as well as to provide our trading desk with initial inventory to create new Ripple Investment Trust shares as investor dollars flow in.



From: Phil Rapoport [mailto:[REDACTED]@ripple.com]  
Sent: Tuesday, July 22, 2014 2:31 PM  
To: [REDACTED]  
Cc: Chris Larsen  
Subject: Re: XRP Bulk Purchase

1) What has Ripple Labs communicated publicly about the plans for the 72 billion XRP held by the company?

We've communicated a distribution strategy as outlined here: <https://www.ripplelabs.com/xrp-distribution/>

"Distributing value is a powerful way to incentivize certain behaviors. ....Our goal in distributing XRP is to incentivize actions that build trust, utility and liquidity in the network. ... If we distribute XRP with these goals in mind, over time we expect to see an increase in demand for XRP that more than offsets the additional supply we inject into the market. Said another way, we will engage in distribution strategies that we expect will result in a stable or strengthening XRP exchange rate against other currencies."

This intentionally leaves us a lot of wiggle room, because it's very hard to tell at this early stage how we should allocate between, say, gateway incentives and merchant direct integrations. In these early days, getting solid gateways on board is critical. That has been our focus. Maybe in 12 months, it will be self sustaining, and we'll want to focus on other parts of the ecosystem, user acquisition, etc.

2) Help me reconcile the value of Ripple Labs in the current financing (\$ [REDACTED] pre) versus the value of the XRP held by RL (~\$350 mm). [obviously implies that one is overvalued...or one is undervalued (or a little of both)]

The market price of RL's XRP holdings is ~\$350mm, but "fair value" is much, much lower because of illiquidity for that kind of size. RL equity investors tend to also expect a discount to the market price because they have an undefined liquidity horizon -- it's unclear when you can monetize your investment. If the equity priced near the market value, everyone would prefer to just own XRP and control their monetization timeline. (That's another way of saying 'liquidity discount'.)

This is partially why we are interested in selling a block of XRP to hedge fund investors for future funding (as opposed to selling equity to VC investors). We think the HF investor class will pay closer to market price in exchange for a more defined (2-year) lockup term, while also not diluting RL equity holders. [Side note: If you are contemplating an XRP investment vehicle for outside investors, this is something we'd love to cooperate with you on. We're already in motion here.]

Lastly, there is an element of double taxation for investors in RL Inc. when compared to cap gains for outright holders of XRP, which contributes to the discount to market pricing.

3) Might be hard for me to make this recommendation to my Board with the Jed situation outstanding. At current prices, he owns \$45 mm of XRP (crazy/ugh). Any suggestions on how we should think about this and how I should position to my Board? Meaning, if he dumps in the market, the price will plummet (and we can purchase cheaply) – or if he wants to sell in an organized way, he might be willing to sell at more attractive prices than what RL is offering.

He holds significantly less than 9bln XRP. We think it's closer to 5-6bln. In an ideal world, we will have a structured resolution with Jed which restricts his ability to sell, but that is still pending.

Here's how I'd frame it: He can be a big factor for a short time, or a small factor for a longer time. Before this recent rally, we know that there was institutional investor interest to purchase his entire stake. (We've been told as much by the various folks that approached him to buy it.) With that in mind, I am comfortable thinking about the downside as bounded. His ability to sustain a crash is limited by his finite XRP holdings. At 0.002, we're talking \$10-12mm, which is much more digestible... (0.00295 was the level we proposed to trade with you btw).

FWIW, we've generally been happy to refer interested buyers to him. He has generally been a time-sink for them, and we haven't seen any trades get done. While it's possible that he would offer more attractive terms than us, we actually feel like the [REDACTED]% discount is a pretty aggressive price that you probably won't find elsewhere. (granted, with a [REDACTED]).

He very well may try to tank the price back down to the 0.002 lows. But on the flip side, we may reach a settlement deal with him (which feels close), and the price could go +50-80% from here very easily. Yes, there's a lot of risk involved.

But you'd be entering at a very attractive / distressed price level, which we think compensates for the risk. If you have the luxury of taking a long term 2+ year view, we think this Jed stuff will feel like noise in hindsight. 0.00295 could be very close to the lower bound, provided the protocol can continue on its trajectory.

If you want to talk through any of this more, I am reachable on [REDACTED] or we can setup a call with Chris as well.

We're obviously keen to get you more involved, and in particular, it would be great if we could find a way to cooperate on marketing your potential XRP vehicle, post a Jed resolution.

Thanks!  
Phil

On Tue, Jul 22, 2014 at 12:56 PM, [REDACTED].com<mailto:[REDACTED].com>> wrote:

Great, thanks [you're whitelisted now]. Few more questions:

- 1) What has Ripple Labs communicated publicly about the plans for the 72 billion XRP held by the company?
- 2) Help me reconcile the value of Ripple Labs in the current financing (\$[REDACTED] mm pre) versus the value of the XRP held by RL (~\$350 mm). [obviously implies that one is overvalued...or one is undervalued (or a little of both)]
- 3) Might be hard for me to make this recommendation to my Board with the Jed situation outstanding. At current prices, he owns \$45 mm of XRP (crazy/ugh). Any suggestions on how we should think about this and how I should position to my Board? Meaning, if he dumps in the market, the price will plummet (and we can purchase cheaply) – or if he wants to sell in an organized way, he might be willing to sell at more attractive prices than what RL is offering.

I understand that you have limited control/influence over Jed, but \$2-3 million is a lot to invest in XRP when somebody that owns 9% has made their intention known that they intend to sell their entire stake at any price. And even if he intends to sell in a more controlled manner, it is still equal to the current XRP “float” and will cause significant pricing pressure.

Thanks, guys. I look forward to your input



From: Phil Rapoport [mailto:████████@ripple.com<mailto:████████@ripple.com>]  
Sent: Tuesday, July 22, 2014 11:08 AM  
To: ██████████  
Cc: Chris Larsen  
Subject: Re: XRP Bulk Purchase

Hi ██████████,

>>Guys, why do sites like this one (<http://coinmarketcap.com/>) show the market cap of Ripple at ~\$42 million versus ~\$500 million (~100,000,000,000 x ~\$0.005)?

On [coinmarketcap.com](http://coinmarketcap.com)<<http://coinmarketcap.com>>, at the top left, there is now a dropdown which allows you to select whether you want to view "Market Cap by Total Supply" vs. "Market Cap by Available Supply."

When you view by total supply, XRP shows up as \$ 548,536,000.

I actually think his calculation methodology is flawed. The whole notion of market capitalization comes from the equity markets. As you know, it's calculated based on the total number of shares issued by the corporate treasury -- not the public float of an equity. When a public company does a secondary offering, that clearly doesn't result in an increased market cap. The market already knew that those shares existed, even if they weren't publicly traded yet, and things are priced accordingly.

The convention for BTC seems to be to calculate market cap based on the total number of BTC that have been mined so far (~13mm). I'd argue that we should be using 21mm to calculate BTC market cap, since that's effectively what the "bitcoin treasury" has authorized. (To follow the analogy, I view BTC as doing a small secondary offering every 10 minutes.... but the market already knows this information and prices things accordingly. It should not result in an increasing market cap every time a new block is mined, in my view).

This is how I would calculate it:

[Inline image 1]

Unfortunately, this is how [coinmarketcap.com](http://coinmarketcap.com)<<http://coinmarketcap.com>> calculates it:

[Inline image 2]

This discrepancy (using 13mm BTC vs. the full 100 billion XRP) pissed off a lot of folks in the bitcoin community. It's not apples-to-apples, since all the XRP has already been created and bitcoin is gradually mined. The bitcoin forums were full of spiteful posts, demanding that the owner of [coinmarketcap.com](http://coinmarketcap.com)<<http://coinmarketcap.com>> change his methodology, which he eventually did, but in a silly way:

To calculate "Available Supply", his site uses the "XRP distributed by Ripple Labs" figure provided on <https://www.ripplelabs.com/xrp-distribution/>. This understates the public float, because it doesn't factor in Jed's sales, among other things. As it stands, I think it's kind of a silly statistic.

We plan to amend the text on our site to show "XRP Not Held by RL" as 28.2 billion, which would include the founders XRP stakes. This should result in a 340% increase in our market cap on this site. We are waiting for a more sensitive time to make the change, probably after a resolution with Jed.

>>Also, for my presentation to my board, would be good to get whatever  
>>public info exists regarding the current ownership of XRP (Ripple  
>>Labs, Chris, Jed, affiliates, institutional investors, float, etc.).  
>>More detail the better

Here is the public info. A few notes below.  
[Inline image 3]

\* Chris has publicly committed to donating 7 billion of his personal stake to a foundation to serve the underbanked -- more details on this forthcoming. This foundation will have a responsibility to sell responsibly, minimizing its market impact.

\* A portion of the founder's stakes have been distributed to 3rd parties, but there is no public info available on how much. We know, for example, that Jed donated \$500,000 in XRP to Miri<<http://www.coindesk.com/ripple-creator-500000-xrp-donation-ai-research-charity/>>.

\* My personal "guesstimate" of Jed's current holdings is around 5-6 billion. We may have more precise info from him in the future. This would likely be confidential, but we could potentially share it with you in confidence.

Please excuse the long email.. I'm available if I can clarify anything else or provide more data!

Thanks,  
Phil

On Tue, Jul 22, 2014 at 9:17 AM, [REDACTED]  
wrote:

Guys, why do sites like this one (<http://coinmarketcap.com/>) show the market cap of Ripple at ~\$42 million versus ~\$500 million (~100,000,000,000 x ~\$0.005)?

Also, for my presentation to my board, would be good to get whatever public info exists regarding the current ownership of XRP (Ripple Labs, Chris, Jed, affiliates, institutional investors, float, etc.). More detail the better

Thanks

[REDACTED]

From: Chris Larsen [mailto:[REDACTED]@ripple.com<mailto:[REDACTED]@ripple.com>]  
Sent: Saturday, July 19, 2014 2:20 PM  
To: [REDACTED]; Phil Rapoport  
Subject: XRP Bulk Purchase

Hi [REDACTED],

Here are the terms we're using now for large blocks of XRP. Please have a look, and if we agree in principle, we can have an official agreement sent over to you quickly.

- Size: \$ [REDACTED]
- Lock-up: No XRP can be sold for [REDACTED]
- Price: [REDACTED] % discount to the 10-day volume weighted average price (VWAP) in XRP/USD.bitstamp.
  - o The 10-day VWAP is 0.00493
  - o [REDACTED] % discount to VWAP is [REDACTED]

We are in the process of putting together a block purchase for some hedge fund investors with these same terms. Our thinking behind the discount/lockup is to reward investors who share our long term view.

If you prefer not to have any lock-up period, we are happy to do a spot transaction. We view XRP as pretty undervalued down here, so we'd still think that it would be a good entry point. It's up to you, depending on how you view this purchase and your timeline.

Please let us know what you think. Phil and I are available as needed to discuss.

Also, here's a near completed formal report on XRP and Ripple that might be helpful from an investment perspective. This is still a draft so please keep confidential.

[https://www.dropbox.com/s/\[REDACTED\]](https://www.dropbox.com/s/[REDACTED])

Thank [REDACTED]

CHRIS LARSEN | CEO  
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